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FOR ACTION

SUPPLY OPERATIONS

SUMMARY

The present report provides a more forward-looking and analytical approach to supply operations in UNICEF than previous reports, the last of which reviewed supply operations in 1994 and was submitted to the Executive Board at its third regular session of 1995 (E/ICEF/1995/AB/L.16).

Following a brief introduction, chapter I details the supply function in the context of children's rights in the twenty-first century. Chapter II describes supply/logistics in the context of the UNICEF country programme, while chapter III reports on the development of Copenhagen as a Global Action Centre for Children's Supplies. The immediate aims of Supply Division in terms of organizational changes and priority action within UNICEF are contained in chapter IV. Chapter V describes the link between UNICEF procurement and supply distribution and the United Nations reform process. Immediate challenges to Supply Division are reported on in chapter VI.

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INTRODUCTION

1. The last report reviewed supply operations in 1994 (E/ICEF/1995/AB/L.16) and was submitted to the Executive Board at its third regular session of 1995. The supply function was also included in the report on "Implementation of management excellence in UNICEF" (E/ICEF/1997/CRP.9), which was submitted to the Executive Board at its second regular session in March 1997. In that report, the supply function was used to describe an accountability system for UNICEF. Based on recommendations from the Booz•Allen & Hamilton study and other external studies of the UNICEF supply function, the report indicated that a number of key changes would be made to improve the strategic orientation, effectiveness and accountability of the UNICEF supply function.

2. Thus, within the framework of management excellence, the present report describes the major strategic thrusts of the supply function for the future, in particular the role of Supply Division.

I. SUPPLY IN THE CONTEXT OF CHILDREN'S RIGHTS IN THE TWENTY-FIRST CENTURY

3. Children's rights cannot be achieved without the availability of, access to and use of affordable essential supplies necessary to meet basic needs. Vaccines, essential drugs, medical items, vitamin supplements, basic foods, textbooks, school materials, clean water, sanitation facilities, impregnated bednets, fuel, clothing, shelter materials and prosthetics are some of the supplies whose availability and use govern the ability of families to ensure that children survive, develop and are protected in all types of situations. Here, the needs of both younger children and adolescents have to be considered, as stipulated in the Convention on the Rights of the Child.

4. UNICEF has to be concerned that children's rights are not denied because of lack of essential supplies. Each office responsible for programme execution in countries is accountable for understanding (a) the performance of public and private systems that deliver essential supplies for children; and (b) the ability of families to obtain these supplies, either directly in the market or through basic services (health, schooling, water, etc.) provided by Governments, the private sector, non-government organizations (NGOs) or others. The increasing globalization of the manufacture of essential supplies means that product specification, quality and availability issues cross borders, requiring UNICEF to maintain an updated, accessible analysis of global supply trends.

5. The supply needs of children and the logistics of making these available have to be, above all, considered strategically in country programmes, with UNICEF involvement in the supply function focusing on critical areas where national systems are deficient. The organization as a whole is accountable to children, families, Governments and donors for adhering to standards of high quality and value-for-money in its own investment in purchasing supplies and services. A critical watch has to be made of those most disadvantaged who are the primary focus of the UNICEF Mission, especially as these populations often have very difficult access to affordable essential supplies for their children. Recent surveys carried out as part of UNICEF-supported operations research into the Bamako Initiative have shown that up to 19 per cent of household income can

be spent on drug purchases due to inadequate public sector involvement in implementing or regulating supply systems. In a separate study, it has been shown that families spend the equivalent of $78 per malaria season on preventive measures and treatment. Thus, the quest for essential supplies is not only a significant part of family life, it is also, if national and local supply systems function poorly, a significant drain on the meagre resources of poor families.

6. The overall priority of UNICEF as a development partner in the supply function is to enhance national capacities in meeting children's essential supply needs. UNICEF strategies will depend on the particular situation of each country.

7. Country strategies will be enhanced by regional strategies that address common country needs and by global strategies that provide a supportive environment to the supply function through the following: readily accessible information on supplies and suppliers; world-wide contracts for products and services; the development of standards; a capacity for emergency supply response; the development of improved and new technologies from which children can benefit; and continuing procurement support to selected countries and for selected products.

8. Continuous monitoring of the supply function will provide the organization with lessons, as well as identify areas in need of improvement. UNICEF will have to ensure that it has the appropriate capacity to be a world leader in supply systems as well as in technological innovation for children.

II. SUPPLY/LOGISTICS AS AN INTEGRAL PART OF THE COUNTRY PROGRAMME

9. Much of the credibility of UNICEF has resided in its ability to situate supplies that have been critical to programme success, such as vaccines and cold chains for the expanded programme on immunization. This has been closely linked to supporting Governments in the provision of basic services to its populations. UNICEF will work with Governments to assess whether families/households have the appropriate essential supplies needed for their children, either directly or through basic services, and advocate strongly for appropriate action. The actual provision of supplies will be geared increasingly to improving capacity in the public or private sectors to close some of the gaps in meeting supply needs, focusing on the essential supplies and services that families need for their children. Thus, the future credibility of UNICEF in the supply function will be in terms of effective assessment and analysis, advocacy for national action and the closing of specific gaps in needs and access.

10. To accomplish this, the supply function will be integrated into all steps of the country programme process (i.e., situation analysis, position paper, country note, master plan of operations, country programme management plan, annual review, annual report, mid-term review, evaluation). The precise determination of the specific supply and logistics analysis, strategies and action in each step of the process will have to be established and continuously updated. The increasing role of the private sector not only in meeting children's supply needs, but also in providing logistics systems is recognized and needs to be integrated into the planning process. UNICEF will have to

develop partnerships, both public and private, as well as national, regional and international, within the supply and logistics strategies it sets in its support to country programmes.

11. Given the UNICEF Mission focus on those children and women who are most disadvantaged and on those countries that are least developed, the direct provision of supplies by UNICEF is expected to remain a significant part of the expenditure of many country programmes. Increasingly, this provision will come under the direct accountability of country representatives, within the decentralization and delegation of authority being put in place, once adequate capacity exists in the supply function in country locations. The timely and economical delivery of supplies, which is crucial to programme implementation, will require strengthening national capacity for proper planning, execution and assessment, including close attention to specification, quantification, ordering, procurement, shipping, port clearance, warehousing, in-country distribution and end-use monitoring and evaluation.

III. SUPPLY DIVISION AS A GLOBAL ACTION CENTRE FOR CHILDREN'S SUPPLIES

12. Given the changing mix of public and private sector influences in the global supply of goods and services, the Supply Division is repositioning the supply function to tackle the special needs of children now as well as for the future.

13. It will focus on a specific range of commodities most relevant to children and become a recognized location of intelligence serving both internal partners as well as collaborating partners inside and outside the United Nations system using intranet and internet capabilities. As a result, UNICEF will become a recognized leader with regard to the following 10 principal sets of commodities:

(a) Vaccines and safe injection: the introduction of both improved existing vaccines and new products, including the Vaccine Vial Monitor, as outlined in the recent joint publication with the World Health Organization (WHO) on the State of the World's Vaccines and Immunization; and the increased use of auto-destruct syringes and single-shot injection devices, fundamental for safe injection and prevention of the transmission of blood-borne diseases such as HIV/AIDS and hepatitis;

(b) Essential drugs: with attention, in close collaboration with the WHO Drug Action Programme, especially to those drugs on the Essential Drugs List most used by children, stimulating the demand for and supply of affordable paediatric drugs, including antibiotics, antimalarials, oral rehydration salts, anti-helminths, as well as supporting national drug policy development and drug registration processes;

(c) Micronutrients: with considerable work in increasing the availability and improvement of vitamin A, iron and zinc products in the context of the logistics challenges facing vitamin supplementation, given the need for the continuous availability and use by children; also the continuing improvement of iodization equipment and potassium iodate supply in support of universal salt iodization and the private sector worldwide on which this is dependent;

(d) Therapeutic food: ensuring a wide network of available suppliers able to deliver these specialized foodstuffs, supporting, in close collaboration with the World Food Programme, one of the recognized roles of UNICEF in emergency situations or areas where direct food supplementation is supported;

(e) Medical and health supplies: those used in the routine and emergency care of children in health services, but also stimulating the global availability of simple delivery kits for safe delivery as one measure for supporting the reduction of maternal mortality;

(f) Water equipment: particularly simple water supply technologies to continue the increasing access of the poor to safe drinking water - hand-pumps and portable drilling equipment, together with piping, tanks and water purification technologies, with a significant focus on the adaptation of new technologies to UNICEF target groups;

(g) Sanitation supplies: local adaptation of sanitation technologies to developing country situations, as well as the local manufacture of simple construction materials;

(h) Education: with specific attention to printing technologies and paper type and quality, allowing effective support to countries to extend their capacities to make textbooks universally available, especially to primary school children;

(i) School supplies: covering the basic kits and materials that all children need for effective learning, including kits adapted for areas in conflict so children can continue their schooling even under extremely adverse conditions;

(j) Household products: increased attention to simple household technologies supporting the household environment, including the wide use of impregnated bednets for protection against malaria in endemic areas.

14. Supply Division will monitor the global supply and demand of these essential supplies, updating specification and quality standards, tracking sources and prices, influencing where possible the availability of these supplies and reaching long-term agreements with major manufacturers around the world for UNICEF and its partners to benefit from the best possible contractual arrangements in terms of price, quality and conditions of delivery and service. It will also become more involved in the development of educational materials required for improving the knowledge and use of essential supplies. Close collaboration with the technical as well as procurement and supply partners of UNICEF will be the hallmark of the Supply Division in ensuring the broadest possible alliance for action towards universal access to essential supplies for children.

15. Supply Division will work hand-in-hand with the Programme Division so that supply and product intelligence is directly relevant to UNICEF programme policies. It will maintain continuously updated information services on the above essential supplies to country programmes and regional supply networks, stimulating at the same time a global network of institutions and individuals knowledgeable on these supplies and able to support UNICEF supply work globally.

IV. REORGANIZATION OF THE SUPPLY DIVISION

16. The Supply Division has been active over the last year in a critical analysis of its role and functioning within the wider framework of management excellence in UNICEF. Starting with consultants' reports on the overall operation of supply in UNICEF, and a specific study of inventory management, Supply Division has taken the issues raised in these reports and, with the participation of staff from other divisions, developed a series of recommendations for the transformation of the Supply Division into a knowledge centre: increasing authority and support to regions and countries; developing greater capacity in the regions for vendor management; focusing supply and logistics on effective customer services; streamlining order processing; developing an integrated forecasting system; establishing partnerships with suppliers; developing an effective shipping system; maintaining the warehouse for emergency supplies and appropriate set-packing activities; and implementing a performance measurement system for the supply function.

17. Within the above context, the immediate aims of the Supply Division in terms of organizational changes and priority action within UNICEF are:

(a) To integrate the supply function more effectively into field operations through close collaboration between Supply and Programme Divisions and country and regional offices, with increased ability to analyse supply situations and issues and apply relevant responses for national capacity-building in supply and logistics;

(b) To support decision-making and accountability for supply issues across UNICEF and enhance materials management capacities and expertise in the field;

(c) To reorganize the supply function to improve quality, productivity, delivery times and cost-effectiveness and to ensure that proper controls are in place to maintain the highest level of integrity; and to establish a culture of the highest ethical standards, individual accountability and responsibility, teamwork and anticipating customer needs ("delight our customers");

(d) To strengthen the capacity and outreach of the Supply Division to provide expertise to field offices on specification development, manufacturing, costing, standards, in-country logistics and quality assurance;

(e) To increase access by field offices to information on global purchasing options that attain value for money and provide greater focus on the essential supply needs of children and women, particularly those in greatest need;

(f) To institute improved monitoring of the supply function to provide a continuous assessment of customer needs and satisfaction to both UNICEF field offices as well as external partners purchasing supplies through UNICEF;

(g) To promote supply more effectively in view of its essential contribution to sustainable human development and the achievement of the UNICEF Mission through enhanced analysis of the "UNICEF experience" in supply and logistics;

(h) To achieve effective internal partnerships in UNICEF for greater operational relevance, effectiveness and consistency (country and regional offices, Programme Division, Greeting Card and related Operations, the Division of Financial and Administrative Management, the Office of United Nations Affairs and External Relations, the Programme Funding Office);

(i) To reformulate the policy on procurement services to make it consistent with national capacity-building goals; also to reformulate the policy for donations-in-kind of appropriate priority commodities for easy and low-cost access by country programmes, especially for emerging programme areas where country programme resources may be deficient.

18. In specific terms of structural reorganization, Supply Division is being transformed into nine operating centres under the Director's Office:

(a) Technical Services: developing specialized expertise on essential supplies for children, making the direct link to country programme supply and service requirements, continuously reviewing specifications of new and improved technologies benefiting children, collaborating with related divisions and agencies and seeking the best sources for supplies and services;

(b) Quality Assurance: providing a monitoring and self-assessment role to ensure that the supplies and services provided by UNICEF maintain the highest possible standard; to ensure that policies, procedures and systems put into place are the most appropriate for achieving the results that UNICEF seeks; and to provide an internal audit function;

(c) Supply Information Services: developing the knowledge centre database that will be available to both UNICEF and external customers for the global analysis of product specifications, prices, sources of essential supplies, as well as for tracking specific orders for greater customer support;

(d) Contracting: establishing the best possible arrangements for UNICEF purchasing worldwide for essential supplies for children, as well as other products required by country programmes and the overall administration of UNICEF;

(e) Customer Services and Support: providing more relevant and timely responses to queries and problems of both UNICEF and external customers in all aspects of supply work;

(f) Warehousing and Logistics: maintaining an effective warehouse capacity for emergency supplies and set packing and overview of manufacturer inventories accessible by UNICEF, and supporting the increased capacity of country and regional offices in logistics;

(g) Human Resources and Administration: ensuring that there is sufficient capacity in Supply Division at both Copenhagen and New York, and supporting the building of field capacity in supply and logistics;

(h) Information Technology: ensuring that there are adequate supply systems supporting the supply processes in UNICEF within the overall context of the new enterprise system and the Programme Manager System being implemented in UNICEF;

(i) Finance and Budget: managing the transactions incurred by the contracting of supplies and services, managing the budget process and developing costing and pricing mechanisms to more closely apply real costs to the functioning of the different parts of the division.

19. A complete set of accountabilities and authorities was developed with staff for each centre. Work processes across the division are being redesigned to reflect the new structure and to eliminate redundancies in operating practices. The reorganized Supply Division will be fully functional in early 1998, coinciding with the new budget cycle.

V. LINK TO UNITED NATIONS REFORM

20. UNICEF is an active and supportive member of the Common Services Group on Procurement, examining ways to enhance procurement within the United Nations system. It endorses the Group's view on the consolidation, as far as possible, by January 1998 of headquarters procurement services, taking into account field requirements and specialized procurement expertise. This will be undertaken with a view to expanding the use of electronic procurement and organization-wide competitive contracts in key areas.

VI. IMMEDIATE CHALLENGES TO THE SUPPLY DIVISION

21. Global procurement figures for 1996 showed a 25 per cent reduction in value with a corresponding 12 per cent reduction in the number of line items and purchase orders over the previous year. These numbers do not capture the increase in contracted services (i.e., printing and related). In addition, procurement value is not reflected in these numbers when it is part of a project with NGOs. Requests have come from the field to provide more support in these areas. Currently, considerable attention is being given to improved customer services and support, as well as to a revision of the procurement services strategies, making these much more closely related to the country programme.

22. By all accounts, UNICEF provided an effective supply response to the emergency in the Great Lakes Region of Africa, positioning materials in Uganda for fast on forwarding to specific areas when called forward. Supply Division has been instrumental in supporting the rapid response team in both training and materials management. A process of continuous improvement, based on lessons learned, has been instituted with the Office of Emergency Programmes and other agencies involved in emergency response. Modifications in emergency supply kits, packaging and transportation have been initiated based on the latest experiences.

23. A total look at the kits that UNICEF stocks is under way as part of an overall review of the functioning of the warehouse in Copenhagen to increase the relevance of these products to field operations. Already, for maternal mortality reduction, eight former kits have been reduced to two - one for home delivery and the other for midwives. It is felt that greater standardization is required in the kits, with the possibility of adding customization to meet the different needs of countries.